

## Message Text

SECRET

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53

ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 EUR-08 NSC-05 NSCE-00 SP-02 L-01

PRS-01 INR-05 EB-03 CIAE-00 ABF-01 SSO-00 INRE-00

USIE-00 SAM-01 SAB-01 /049 W  
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O 141130Z MAR 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC NIACT IMMEDIATE 0568

INFO AMEMBASSY ABU DHABI IMMEDIATE

AMEBASSY BEIRUT IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY CAIRO IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

AMEMBASSY DOHA IMMEDIATE

USMISSION GENEVA IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY MANAMA IMMEDIATE

AMEMBASSY MUSCAT IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

USDEL RIYADH IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY SANAA IMMEDIATE

AMEMBASSY VIENNA IMMEDIATE

AMCONSUL ZURICH IMMEDIATE

S E C R E T JIDDA 1818

LIMDIS

E.O.: 11652: GDS

TAGS: EFIN, SA

SUBJC SAUDI ARABIA TO UNPZG RIYAL FROM DOLLAR

1. ABD AL-AZIZ QURAISHI, GOVERNOR OF THE SAUDI  
ARABIAN MONETARY AGENCY (SAMA) TOLD THE AMBASSADOR LAST  
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NIGHT THAT SAUDI ARABIA HAD DECIDED TO UNPZG ITS RIYAL FROM

THE DOLLAR. IT WILL BE TIED "ROUGHLY" TO THE SDR. HE SAID HE HAD BEEN UNDER TREMENDOUS PRESSURE TO REVALUDE. THIS SOLUTION SEEMED PREFERABLE TO HIM AND IRAN'S SIMILAR ACTION A SHORT TIME AGO MADE IT EASIER.

2. QURAIISHI EXPECTED THE INITIAL CHANGE IN THE RIYAL TO BE ABOUT TWO PER CENT VIS-A-VIS THE DOLLAR. IT HAD BEEN FIXED AT 3.55 TO THE DOLLAR.

3. THE ANNOUNCEMENT IS TO BE MADE IN RIYADH THIS EVENING (C. 1600 GMT MARCH 14).

4. TRADING IN THE RIYAL WAS SUSPENDED YESTERDAY MORNING AMID RUMORS OF AN IMPENDING SHARP REVALUATION TO 3.2 OR EVEN 3 RIYALS/DOLLAR. MOST RUMORS HAVE CENTERED AROUND 12 PZR CENT. BANKS, IN EMERGENCIES, EXCHANGED DOLLARS FOR THREE RIYALS.

5. QURAIISHI SAID OIL PRICES WOULD CONTINUE TO BE SET IN DOLLARS -- IN SPITE OF PRESSURE FROM OTHER OPEC COUNTRIES TO CHANGE TO SDR'S OR SOME OTHER "CURRENCY BASKET".

6. COMMENT: A NEW VALUE OF SR3/DOLLAR WOULD MEAN A RE-VALUATION OF 17.9 PER CENT AGAINST THE DOLLAR. WE WOULD BE SURPRISED IF THE REVALUATION, EVEN IN THE SHORT TERM, SHOULD PROVE TO BE UNDER 15 PER CENT. IN ADDITION, WE DOUBT THE SAUDIS ARE FULLY COGNIZANT OF THE IMPACTHOF EVEN A "ROUGH" FLOAT AFTER THY UNPZG THE RIYAL. THE MARKET REACTION TO THIS KIND OF ANNOUNCEMENT COULD BE MASS CONFUSION IN THE MARKETS AND COULD PUSH THE REVALUATION FAR BEYOND 15 PER CENT.

AKINS

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## Message Attributes

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